

**Postmaster General and CEO Patrick R. Donahoe
National Postal Forum keynote address:
Delivering Through Innovation and Technology**

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Note: Remarks as delivered may vary from prepared text.

Good morning!

Welcome to Orlando, and welcome to the National Postal Forum.

I like that video that was just playing.

It asks an important question about our industry: Are we “old school?”

When you really want to reach people — when you really need to make a connection with your customers — you want to use a channel that stands the test of time.

Mail does that.

It’s proven.

It’s powerful.

People react to mail in ways that other channels can’t match.

But is it old school?

I don’t know about you, but I don’t want to be old school.

Every so often I imagine a conversation between four marketing executives.

One is a digital person.

The next person focuses on television and radio.

Another focuses on print advertising, and another on mail.

There's no bartender in this story.

I think about how each of these four people would argue for their share of a marketing budget.

I imagine the digital guy is probably 30 years old.

He goes to work wearing jeans and tennis shoes.

In his world, people live entirely online.

Tomorrow is already yesterday.

He dazzles the others with the next big trend in creating online experiences.

He says you need to invest in digital because technology is changing the way people consume information.

The television and radio guy is next.

He might be wearing a suit, but definitely not a tie.

That person is also in a dynamic space.

His pitch is about creativity, the power of the channel, and integration with digital.

He talks about the fact that television and radio will go through some big changes in the coming years.

The woman who manages print advertising talks about reaching their market segment, targeting readers and about the evolution of print.

She talks about news being consumed on tablets and smart phones, as well as print.

And now our person steps up.

Her pitch about mail is about return on investment.

Her pitch is about the fact that mail is targeted, it gets to every household and people spend just as much time as they ever have with a piece of mail.

Mail is the single best way of driving a consumer purchasing decision.

It's also the single best way to drive people to a website.

And, statements and correspondence remain a great way of connecting with customers and strengthening brands.

We have plenty of research that says people still want the hard copy because they will actually read something sent to them.

That says something important about the value our channel delivers — but — are we old school?

I don't think we are, and we can't afford to be.

The channels we compete against are changing and evolving, and we need to do the same.

I think of the mailing industry as a data and technology-centric industry.

And, how we use data and technology will shape our future.

Many of you here will go back to the companies you represent later this week to talk about what's new and exciting about mail.

We have to be able to compete with the young digital guy in sneakers and jeans.

We have to get those other people representing those other channels to sit up and say, "Wow, there's a lot going on with mail these days."

Believe me, there is a lot going on.

That's what this forum is about: Innovation and technology, and putting some "wow" into the mail.

The Forum provides an opportunity to network with colleagues, to meet people who are doing incredible things with mail, to learn about the trends that may influence your business.

It's about leveraging great new ideas and becoming more creative as an industry.

It's about giving ourselves the greatest possible competitive edge.

At the end of the day, it all comes down to growing your business.

The Postal Service is working hard to create a platform for your growth.

The more we strengthen the organization, strengthen the industry, the better we can support the growth of your business.

And that's what we're going to be talking about over the next few days.

I think we have a very strong forum this year.

I'd like to take just a moment to thank the Board of the National Postal Forum and Susan LaChance and her team for putting together a great few days for us.

They do a wonderful job, as does everyone who helps organize the forum.

Let's give them a hand.

I would also like to mention the important contribution of our exhibitors.

I had a chance to visit some of the exhibits yesterday.

The breadth of the technology on display is amazing.

Please be sure to spend some time getting to know the companies in the exhibit hall.

They put a lot of effort into coming here and they are really on the front lines of moving this industry forward.

So, thank you to all who are part of the exhibitions here.

You know, one of the pleasures of my job is meeting with our customers.

I talk to a lot of people about where they would like the industry to head and what we can do to serve them better.

I always benefit from their insights.

The forum is a great place for those kinds of interactions.

A lot of our Postal executives are here in Orlando.

We want to know what you're thinking and how you look at the challenges and opportunities that we share as an industry.

So, if you've got something on your mind, don't be shy about sharing your thoughts.

Our leadership team is down here to meet with you, to listen and share information.

You know, sometimes we in the Postal Service can get a little too wrapped up in all things Postal.

You've probably heard the phrase "bleeding Postal blue."

After 36-and-a-half years in the Postal Service, that's me.

Well, I love talking about the Postal Service.

I love talking about where the organization is heading, and about the opportunities we have to become a much stronger organization.

I love talking about the great job our employees do, day in and day out.

I do videos all the time.

I'm always out speaking to employees and various groups.

I think it is important to do, and it has a big effect.

Although, I think all of this talking about the Postal Service has had too much of an effect on my family.

I'll let you decide.

I'd like to introduce you to Charlotte Olivia Donahoe, my granddaughter as of 12 days ago.

Now, do you think it's a coincidence that her initials are C.O.D?

I mean, come on ... Cash on Delivery?

I think they're looking for some cash — from me — for college tuition.

I'll tell you, she might have to put up with some jokes in 20 years when she starts working for the Postal Service.

She is so in-tune already.

Here's her reaction when she heard me talking about next year's CPI price increase.

This past year has been very eventful for the Postal Service.

We communicate a lot because there is a lot we are trying to accomplish.

We are committed to being as open and transparent.

Last month we published a plan that can put the Postal Service back in the black and ensure its long-term financial stability.

If Congress gives us the flexibility to implement the plan we've proposed, it will allow us to keep mail affordable.

The faster we reduce our costs, the less pressure on pricing.

It isn't helpful for this industry to have these legislative issues drag on and on.

It creates misperceptions about mail that are just plain wrong, and we need to get past it.

Despite all of the policy discussion and news about our finances, the Postal Service is going to emerge a much stronger organization.

It will have a much more flexible business model.

And, we will be able to serve this industry much more effectively in the future.

Believe me, we keep our eye on the future and we are working hard to shape our future.

We think a lot about the role of the Postal Service as a delivery platform.

We operate a delivery platform that supports the mailing industry and all of the businesses that use the mail.

To be sure, we're trying to grow our revenue — but — our mission is really to strengthen the platform.

That means ensuring the long-term financial stability of the Postal Service.

It means ensuring mail remains affordable by continuing to improve the efficiency of our network.

It means innovating to create new opportunities for growth in the industry

And in an increasingly digital world — it means finding new ways of increasing the value of mail for both senders and receivers.

Where we start is with the idea of delivery.

That's the core function of the Postal Service.

We deliver what you create.

If we can expand our delivery platform beyond what it is today, we can provide you with even greater opportunities.

And, we're doing a lot of this now.

We are working hard to create new products.

And, we are developing better ways of delivering for customers.

This is a big focus for the Postal Service.

Here's a short video that captures this idea.

(Video plays)

When I think of the Postal Service as the platform for the mailing industry, I think of the ways the Postal Service can spur growth.

We want to help businesses use the mail effectively.

We also want to help consumers derive greater value out of what they receive.

It's astonishing how much is changing in the ways people communicate.

Mail has to be a part of these changes.

In the last year or so QR codes helped bridge a major divide between mail and smart-phones.

Hold a piece of mail to your smart phone and you get taken to a website or an application.

That's a great technology platform to create a more compelling customer experience.

That's just the tip of the spear.

It won't be too long before a person can use a smart phone to capture a QR code or a watermark and make a purchase in one click.

And in that same click, have that purchase be sent directly to your home.

The technology is extending the platform.

That creates more value.

That makes mail more interesting.

We have to anticipate those big "what ifs?"

There has been a tremendous amount of speculation about what Apple is planning for the old fashioned television.

I don't have any particular knowledge of what it might be, but it isn't hard to imagine that today's television is going to be replaced by something that is like a smart phone.

It's probably going to be called a smart TV.

In fact, a number of TV manufacturers are making televisions that are more integrated to the Web.

What if mail could interact with that smart TV?

What if your smart TV could read the watermark in your mail and create a tailored marketing message — or a message that strengthens a connection to your brand?

That's going to make mail more powerful.

What if people could manage all of the information about their mail on their smart phone?

People manage so much of their lives on their smart phones today.

It goes far beyond just checking e-mail and text messages.

People trade stocks on their phones.

They make travel plans on their phones.

They shop on their phones.

Why can't people manage their mail on their phones?

You might be surprised to know that the Postal Service takes an image of every piece of mail that goes through our processing equipment.

That means we have the ability to tell you what you'll getting in your mailbox over the next few days.

Think about the power of that data.

What if we created a digital inbox for your mail?

Think about how people might interact with their mail if they are experiencing it and managing it through their smart phone?

That's a development that could completely revitalize the experience of mail.

Would it make mail a more powerful way to communicate?

Yes.

Would it change the way receivers of mail value what is sent to them?

Absolutely.

Would it create some great business opportunities?

I have no doubt.

This is a direction we have to pursue.

Over the past year, I've tried to get out and talk to people in the marketing industry.

I try to spark discussion about what's exciting about the potential of mail and what the future of the industry might be like.

It's worth asking those "what ifs?"

You get a lot of stimulating ideas.

One of the groups we've been talking to is the American Association of Advertising Agencies — the "Four A's."

They do something interesting every year.

They run a program for young, up and coming marketing executives and they give them a challenge.

Their challenge this year relates to promoting marketing mail to millennials — our future customers.

Let me show you how they view mail.

(Video plays)

When they were filming that last weekend they took a group picture and sent it to me using the Apple Cards application.

Here it is.

That application is a wonderful service for the smart-phone.

I like the idea that those young executives are going to be thinking about mail for the rest of their careers.

They have some interesting ideas.

What I like most of all is that they see mail as a fundamentally different way of communicating.

It's personal.

It's tactile.

It's effective.

As an industry, we have to retain what differentiates mail and physical delivery — and bring it into the future.

The same goes for the Postal Service.

We have to take the best attributes of the Postal Service and bring it into the future.

So, how are we doing that?

It comes down to four core business strategies.

The four strategies are:

- Strengthening the “business to consumer channel,”
- Improving the customer experience,
- Growing the package business, and
- Becoming leaner, faster and smarter as an organization.

I talk about each of these constantly because our overall success depends upon being successful with each of these strategies.

Let me take you through what we were been doing under each of our core strategies.

The first is strengthening the business to consumer channel.

We must continually work to add value for both senders and receivers.

We have to constantly find ways to keep the value of mail high for the sender.

That means a higher return on investment.

That means building a greater appreciation for the value of mail throughout America’s businesses.

One of the things we can do is simply to promote the mail.

Here’s an interesting statistic for you. We asked people if they agree with this statement: “I really do not value most of what I receive in the mail today.”

Almost two-thirds of consumers say they disagree with that statement.

That's a great number.

That means almost two-thirds of consumers value the mail they receive.

What about businesses?

We asked them how they think consumers would have answered that question.

We got a very interesting answer.

Businesses think only one third of consumers value mail.

The correct answer is that two thirds do.

So, businesses are wildly underestimating whether people value the mail they send.

Now that is a perception problem.

We — as an industry — need to get American businesses to understand that people value what they receive in the mail.

We need to bump up that one-third to two-thirds — or higher.

That's why it's important to promote mail.

At last year's forum in San Diego, we made a commitment to launch an integrated marketing campaign to promote mail.

The Postal Service had not promoted mail for more than 10 years.

We knew we needed to get America thinking about mail.

So, last fall we started an integrated marketing campaign to support First-Class Mail.

The campaign included marketing mail, print, television, digital and our sales network.

Let me show you two of the television advertisements.

(Video plays)

Even though we only ran the campaign for eight weeks, it had a great impact.

Two-thirds of all business owners recalled seeing the advertisements after just eight weeks — that's a great number.

Because of the overall campaign, we saw a big jump in the number of business owners who believed their customers are concerned about the security of digital communications.

We also saw big jump in the number of business owners who say they prefer to send paper statements rather than digital statements.

This says to me that people are open to our messages and they respond to them.

We can get people thinking about the power of mail.

Over the last few years we have had great success with our campaign to support our package business: "If It Fits, It Ships."

Our campaign last fall to support First-Class Mail was also very effective.

And now, we're focusing on marketing mail.

Over the past several weeks, we launched an integrated campaign to support our Every Door Direct Mail offering.

This product is targeted at small businesses that are not currently in the mail.

For us, it's a gateway product.

It gets people in the door.

We launched Every Door Direct last year and it's done very well without a large amount of marketing support.

So, now we're giving it a boost with some greater visibility.

Let me show you two television advertisements that have just started airing.

(Videos play)

I think they're great and we're expecting strong results.

Promoting mail is something we need to do as an industry.

If we all leverage the same insights and we get out and talk to America's businesses, we can create that multiplier effect that really causes people to rethink using mail.

Please be sure to attend Paul Vogel's session on Wednesday.

He'll go into some greater detail about how we're approaching these campaigns.

Learn more about this.

It helps if we're all out there promoting mail.

When we talk about strengthening the business to consumer channel, there are two parts of the equation: value for the sender and value for the receiver.

People value the mail they receive.

Are people going to incorporate digital into their lives?

Of course they are.

Do businesses think it's cheaper to send e-mail rather than mailed correspondence? They do.

But — people don't want to go 100 percent digital.

Our First-Class remittance mail volume is declining because people want to pay bills online.

Fair enough.

It's easier and less expensive than to write a check and mail it back to your bank.

So, what do you make of this?

For the past six months, mail volumes for pre-sorted First-Class Mail has held steady.

I don't know if that is a big break in the long-term trend, but it does indicate some strength in the statements and correspondence that businesses send. That tells me that people are resisting the idea of consuming all of their business information online.

People want their paper statements because they will actually read them and file them away.

There's a level of control and comfort and security that mail provides.

People want the tangible hard copy.

Statements also provide a great way of delivering messages to consumers.

Last year we announced a permanent incentive that recently went into effect: it's called "Second Ounce Free."

It basically enables businesses to put an additional item in a billing statement or a piece of business correspondence.

Or, you could use higher quality paper stock to make your piece stand out.

We think this is a great way for businesses to promote products and strengthen their brands with their customers.

If that additional item is relevant and creative, people will read it and interact with it.

It's a way of strengthening the channel.

So, look into "Second Ounce Free."

It's a permanent change and it's a great offer.

And speaking of getting your mail to stand out — there's a great session this morning with Michael Clinton from Hearst Publishing.

He's got some great insights about leveraging creativity in print and creating compelling experiences.

Make sure to see some of these sessions that focus on creativity.

It's so important for this industry to use creativity to strengthen our ties to consumers.

Okay, our second core strategy is improving the customer experience.

We talk constantly within the Postal Service about creating positive experiences for our customers.

We know that customers will use us more if the experiences they have with us are positive.

And so, our goal is to make every customer experience a positive one.

We are investing in employee training that is focused on creating better experiences in the Post Office.

We are simplifying products so that it is easier for customers to make choices and to conduct transactions.

Transactions on the redesigned *usps.com* continue to grow rapidly because it feeds the customer desire for simplicity and convenience.

And, today you can conduct varying levels of postal business at more than 70,000 retail partner locations.

We think it's more convenient for people to conduct simple postal transactions at a pharmacy or a corner store.

One of the new things we are doing to improve customer experience relates to shipping.

And so I would like to announce our gopost pilot project in Northern Virginia.

Gopost is in a pilot test.

We think it has incredible potential to change the way people interact with the Postal Service.

It's actually a very popular, proven technology that's well established in Europe.

The Postal Service basically sets up package lockers in convenient places — like in malls or subway stops and other high traffic areas.

When you order a package at an on-line store, you can elect to have it sent to your home or office.

And now, a gopost locker is a third option.

Here's how it might fit your lifestyle.

(Video plays)

What impresses me the most about this service is that it strengthens our connection to the customer.

They get an e-mail when they get a package.

They get to make a choice using a platform we've created.

It's a simple, personal, convenient process.

When we've completed the pilot test in Northern Virginia, we are going to look at rolling this out in other markets throughout the country.

We have a gopost exhibit in the technology pavilion in the exhibition hall.

Stop by and see it.

The bottom line is that gopost is a great way of leveraging technology to create a better experience and greater value for the sender and the receiver.

Okay, that was improving the customer experience.

Let's talk about growing our package business.

We have had exceptional growth across the board in shipping.

We've actually been gaining market share as the entire shipping market has been growing.

We've steadily expanded our shipping products and services, with a special focus on the small business.

That strategy has really paid off.

We benefit enormously from the rise in e-commerce.

People are using catalogues to browse and discover products — and making purchases online.

That results in package business for us.

We benefit doubly from the trend in returns.

People are ordering several shirts or pairs of shoes and sending back those that don't fit quite right.

We think we have the best returns solution for retailers and we are seeing strong revenue growth related to returns.

In the past year we launched a suite of Regional Rate Priority Mail products for business customers.

Ask about it at our sales booth.

It's another shipping class that has been very successful.

Our marketing campaign has created a lot of demand for our shipping products.

The whole campaign behind "If It Fits, It Ships" has driven very strong growth for a simple, convenient product.

You know, it wouldn't be right to talk about packages without hearing from the guy who has been the face of the campaign.

So, let's me ask Al the letter carrier to say a few words.

(Video plays)

Thanks, Al.

This is the package Al sent me from Los Angeles, where they were shooting some new advertising.

Let me tell you about this package.

It was scanned 12 times in two days.

I actually used this package to test the gopost locker at the Ballston Common Mall just outside of Washington, DC.

It worked perfectly.

But the big news is that we are making major strides in scanning.

In 2010, the average package was scanned 5 times.

Today, the average package gets scanned 10 times.

So, we've doubled our scans.

Scanning is a major growth strategy for us because we know our customers want visibility, and they'll reward visibility. It's also the backbone of the kind of data we want to provide to senders and receivers.

And so, I'd like to mention something we are doing to improve scanning.

We are currently testing our next generation of handheld scanners.

This will enable letter carriers to scan a package which will provide real time information for our customers.

This means that the moment you letter carrier picks up your package, it will be trackable on the Web or on the USPS smart-phone application.

And, you'll know the moment it was delivered.

We will begin deploying real-time scanning this year.

100 percent, real-time, end-to-end scanning: It's going to fuel our package business for the remainder of the decade.

OK. So that was growing the package business.

Our fourth core business strategy is being leaner, faster and smarter as an organization.

We are in the process of recreating our operational network.

It all comes down to using data and technology to build a stronger delivery platform.

The smarter we make our network, the smarter you and every business in America can be in the way you use the mail.

The Intelligent Mail barcode is the key to harnessing the data in our network.

Full Service IMb gives users great visibility into the effectiveness of their mailings.

And it provides clarity in calculating return on investment.

It's such a good technology that we've created an IMb tool for small businesses.

We think this is going to be very popular — and it will make mail more effective for small businesses.

One of our old systems, POSTNET, is a holdover.

Talk about old school.

We still have some POSTNET users who haven't shifted to Full Service IMb — and we think it's time to make this transition.

Talk to us about Full Service IMb.

We're adding value to Full Service.

We're making it simpler.

We're making it easier to do business with us.

We got rid of the annual mailing fees.

We also got rid of the old permitting process.

Now you can use one permit and drop your mail anywhere.

We are also piloting a new, streamlined drop-ship process with several mailers.

These are just a few service developments based on IMb that are driving efficiencies and greater visibility.

Talk to Ellis Burgoyne, Jim Cochrane and Pritha Mehra about Full Service IMb.

We're investing in it. It's a great product now, and it's going to become even more powerful in the future.

We'll all be talking about IMb in our Executive Session tomorrow morning.

Realigning our network is one of the most important things we are doing to become leaner, faster and smarter as an organization.

We have left nothing off of the table in terms of rethinking how we perform our core function of delivering.

We are moving forward on major realignments of our mail processing network, our delivery network, and our retail network.

We are basically laying the foundation for the Postal Service of the next 30 years.

When it's fully implemented and in place, we will have created an incredibly efficient delivery platform for this industry.

Most importantly, it will keep mail affordable for the long term.

We believe the plan we are pursuing is a strong one.

We also believe it is a responsible approach that is fair to our customers, our employees, and the American public we serve.

We are implementing parts of it now and will be implementing other parts over the next several years. And we are being very methodical in the way we approach these network changes.

We are going to maintain service throughout.

We are going to communicate with you every step of the way.

We've been talking with you all along about what we've proposed and we've tried to accommodate your interests.

From a logistical perspective, we've actually modeled our plan based on what many of you have done with your logistical networks.

And so we benefit by aligning networks and by working closely with you. We want to keep talking with you as move forward.

Megan Brennan and Dave Williams are going to go through some of the details tomorrow during their Executive Session.

Be sure to attend that session, and visit our exhibits about these network changes.

I've been Postmaster General for the past 18 months.

They say you never really understand and appreciate how things work until you try to change them.

I think that is absolutely true. Change isn't easy.

It's comfortable to keep things as they are. It's comfortable not to make tough decisions.

But our future is not in today's comfort zone.

We know your business depends upon a Postal Service that can innovate and embrace changes in technology.

Your business depends upon a Postal Service that can reinvent itself.

So that's what we're doing: we're reinventing the Postal Service.

The best way forward is to embrace the potential of change.

As an industry, and as individual businesses, we need to think about the rewards of a more dynamic future.

Technology has such a great potential to make mail more compelling.

It's about helping to make those "what ifs?" a reality.

It's about strengthening this industry.

We want to provide the delivery platform that America relies upon for generations to come.

We want to be a platform for your growth.

And that's what it comes down to: helping you grow your business.

This forum is about innovation and technology, and it's going to be a great one.

So let's get creative. Let's get energized. Let's start growing this industry.

And, let's have a fantastic few days here in Orlando.

Thank you for your business.

Thank you for being here, and thank you for your trust in the Postal Service.